

**North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana**

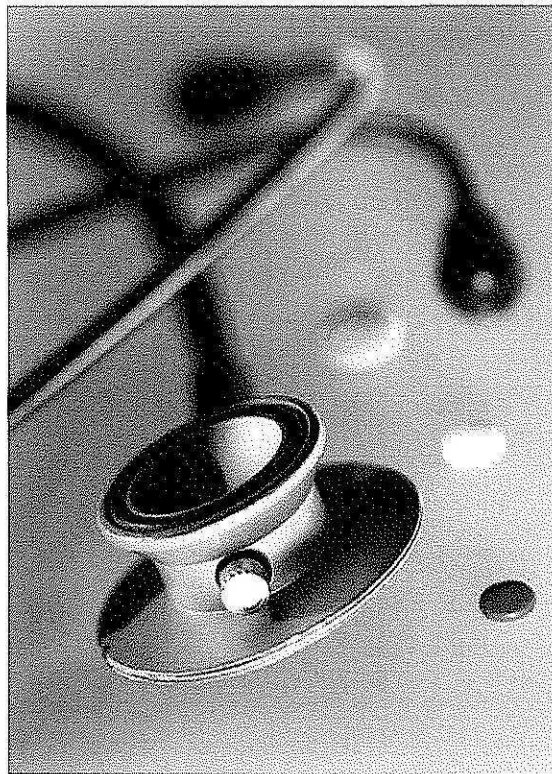
**Annual Financial Report
As of and for the Year Ended September 30, 2011**

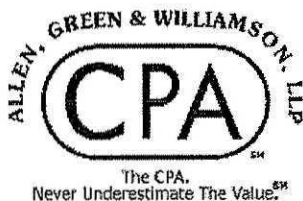
**North Louisiana Area Health
Education Center Foundation**

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North Louisiana Area Health Education Center Foundation





ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive

Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA
Margie Williamson, CPA
Amy Tynes, CPA

Aimee Buchanan, CPA
Rachel Davis, CPA
Jaime Esswein, CPA
Brian McBride, CPA
Jaunicia Mercer, CPA
Cindy Thomason, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

INDEPENDENT AUDITORS' REPORT

The Board of Directors
North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana

We were engaged to audit the accompanying statement of financial position of North Louisiana Area Health Education Center Foundation, a nonprofit organization, (the North La. AHEC) as of September 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the North La. AHEC's management.

Lack of documentation and inadequate internal controls existed over expenditures, receipts and bank reconciliations as well as conflicting information was presented to auditors during the audit procedures in regards to documentation, approval and Board oversight. Additionally, the auditors' testing of receipts and disbursements and review of the general ledger revealed a large number of account coding errors, incidents of failure to record transactions, and/or extreme periods of delay in recording transactions. Accordingly, general ledger transactions could not be relied upon.

Because of the scope limitation described above we are unable to express, and do not express, an opinion on the financial statements referred to in the first paragraph.

The accompanying financial statements have been prepared assuming North La. AHEC will continue as a going concern. As discussed in Note 20 to the financial statements North La. AHEC has suffered cash flow short falls over the supporting services area in the last two fiscal years. North La. AHEC has diminished the effect of this cash flow short fall in the supporting services area by using excessive funds drawn down from grantor agencies on cost reimbursement programs to pay the expenses of the supporting services area of North La. AHEC. North La. AHEC also has a deficit in unrestricted net assets that raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued our report dated July 13, 2012 on our consideration of the North La. AHEC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the North La. AHEC taken as a whole. The schedule of expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. We did not audit the information and express no opinion on it.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

July 13, 2012

NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION

STATEMENT OF FINANCIAL POSITION
September 30, 2011

Statement A

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 261,649
Short-term investments	219,638
Accounts receivable	174,380
Unconditional promise to give:	
Restricted to payment of clinic expenses	50,411
Prepaid expenses	<u>13,269</u>
<i>Total current assets</i>	<i>719,347</i>

NON-CURRENT ASSETS

Restricted Cash - Gladney Endowment	115,654
Unconditional promise to give:	
Restricted to payment of clinic expenses	50,410
Security deposit - clinic	6,352
Property and equipment	<u>238,983</u>
<i>Total noncurrent assets</i>	<i><u>411,399</u></i>

TOTAL ASSETS

\$ 1,130,746

(Continued)

NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION

STATEMENT OF FINANCIAL POSITION
September 30, 2011

Statement A

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts, salaries, and other payables	\$ 268,676
Compensated absences	41,808
Deferred revenue	382,794
Notes payable	74,229
Capital lease payable	1,334
Total current liabilities	<u>768,841</u>

NON-CURRENT LIABILITIES

Compensated absences	13,936
Capital lease payable	2,467
Total non-current liabilities	<u>16,403</u>

TOTAL LIABILITIES

785,244

NET ASSETS

Unrestricted	(90,375)
Temporarily restricted - clinic	320,223
Temporarily restricted - endowment	15,654
Permanently restricted - endowment	100,000
Total net assets	<u>345,502</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 1,130,746

(Concluded)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011**

Statement B

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS AND OTHER SUPPORT:				
Grant revenue:				
Federal	\$ 1,260,798	\$ -	\$ -	\$ 1,260,798
State	543,863	-	-	543,863
Local	79,486	-	-	79,486
Contributions				
Clinic	-	555,207	-	555,207
Program service fees	64,941	-	-	64,941
Interest and dividends	15,770	998	-	16,768
Other revenue	51,251	-	-	51,251
Net assets released from restrictions:				
Restrictions satisfied by payments	234,984	(234,984)	-	-
Total revenues, gains and other support	<u>2,251,093</u>	<u>321,221</u>	<u>-</u>	<u>2,572,314</u>
EXPENSES AND LOSSES:				
Direct Program Expenses				
AHEC of a summer	65,322	-	-	65,322
PCRPP	29,788	-	-	29,788
AHECS for a Healthy Louisiana	118,342	-	-	118,342
Maternal and child	116,867	-	-	116,867
Healthy tomorrow	35,093	-	-	35,093
Nurse family partnership	54,799	-	-	54,799
Vaccines for children	296,636	-	-	296,636
Tobacco control	56,916	-	-	56,916
LaChip	73,588	-	-	73,588
WIC	42,562	-	-	42,562
Lincoln health foundation	68,432	-	-	68,432
Breastfeeding	63,899	-	-	63,899
Livingwell foundation	98,313	-	-	98,313
Healthy start	481,635	-	-	481,635
Shots for tots conference	44,800	-	-	44,800
Other programs	68,171	-	-	68,171
Supporting Services Expense				
Salaries and benefits	391,923	-	-	391,923
Travel	12,050	-	-	12,050
Telephone and internet	15,224	-	-	15,224
Supplies and postage	37,126	-	-	37,126
Legal and accounting	13,294	-	-	13,294
Occupancy	64,922	-	-	64,922
Other operating expense	39,189	-	-	39,189
Depreciation	26,413	-	-	26,413
Total expenses and losses	<u>\$ 2,315,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,315,304</u>

(Continued)

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011**

Statement B

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Change in net assets	\$ (64,211)	\$ 321,221	\$ -	\$ 257,010
NET ASSETS - BEGINNING, ORIGINALLY STATED	88,492	-	-	88,492
PRIOR PERIOD ADJUSTMENT	<u>(114,656)</u>	<u>14,656</u>	<u>100,000</u>	<u>0</u>
NET ASSETS - BEGINNING OF YEAR, RESTATED	<u>(26,164)</u>	<u>14,656</u>	<u>100,000</u>	<u>88,492</u>
NET ASSETS - END OF YEAR	<u>\$ (90,375)</u>	<u>\$ 335,877</u>	<u>\$ 100,000</u>	<u>\$ 345,502</u>

(Concluded)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2011

Statement C

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ 257,010
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	26,413
(Increase) decrease in:	
Cost reimbursement receivable	(85,016)
Unconditional promise to give	(100,821)
Prepaid expenses	(12,744)
Security deposit - clinic	(6,352)
(Decrease) increase in:	
Accounts, salaries and other payables	153,483
Deferred revenue	251,824
Notes payable	74,229
Leases payable	(1,282)
	<hr/>
Net cash provided (used) by operating activities	556,744

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of short-term investment	(219,638)
Proceeds from maturity of investments	17,999
Purchases of equipment	(222,154)
	<hr/>
Net cash provided (used) by investing activities	(423,793)

NET INCREASE IN CASH AND CASH EQUIVALENTS 132,951

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

244,352

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 377,303

Reconciliation to financial statements

Cash and cash equivalents	261,649
Restricted cash - Gladney endowment	115,654
Total cash and cash equivalents at end of year	<hr/> <hr/> 377,303

INTEREST PAID

\$ 906

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2011**

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**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Purpose The North Louisiana Area Health Education Center Foundation (the North La. AHEC) was organized without capital stock under Louisiana law on March 7, 1989, as a non-profit corporation to bring healthcare education and resources to rural and underserved communities in North Louisiana. Membership in the North La. AHEC is evidenced by certificates of membership and is limited to individuals who are members of the Board of Directors, or other persons who have the approval of the Board of Directors of this North La. AHEC. The North La. AHEC's main source of support is federal and state grants passed through various state agencies.

Income Taxes The North La. AHEC is qualified as an organization exempt from Federal income taxes pursuant to Paragraph 501(c)(3) of the Internal Revenue Code. No provision for income taxes is necessary.

Form 990, *Return of Organization Exempt from Income Tax* for the years ending 2008, 2009, and 2010 are subject to examination by the Internal Revenue Service, generally three years after they are on file. North La. AHEC filed an extension of time to file Form 990, for year ending 2011; therefore, the return is required to be submitted by August 15, 2012.

Cash and Cash Equivalents For purposes of the statement of cash flows, the North La. AHEC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. If the original maturities of investments exceed 90 days they are classified as investments; however, if original maturities are 90 days or less, they are classified as cash equivalents.

Promise to Give Contributions are recognized when the donor makes a promise to give to North La. AHEC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

North La. AHEC uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior year's experience and management's analysis of specific promises made.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Capital Assets and Donated Use of Facilities Pursuant to their contractual agreement, Louisiana State University Medical Center (LSUMC) budgets for expenditures for capital assets to be acquired for the North La. AHEC. The contractual agreements for years 1989, 1990, 1991 and 1992, with LSUMC stated that the ownership of assets purchased with grant funds would remain with LSUMC. The agreements for years 1993 and 1994 do not specify this reversionary ownership. However, according to federal regulations, the title to assets purchased with federal funds generally reverts to the grantor at the end of the grant period. Accordingly, these costs were recorded as revenue and

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2011**

expenditures in the activity statement of the North La. AHEC and are not capitalized for prior years. The assets purchased beginning October 1, 1994 are budgeted for in a cooperative endeavor agreement between LSUMC and the North La. AHEC as described in Note 1 under the Revenue and Expense caption. This agreement does not contain a provision for reversionary ownership and, accordingly, as of the beginning of the fiscal year ending September 30, 1995 the North La. AHEC capitalizes assets purchased and records these purchases at cost for all assets of \$500 or more. Depreciation is calculated using straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years. Depreciation expense for the year was \$26,413.

The building is capitalized and depreciated over its estimated useful life. E. A. Conway Memorial Hospital, an affiliated organization with Louisiana State University Medical Center, provides the use of land for the portable building. The use of land is not recorded in the financial statements. The central office was relocated in September, 2006 to Bossier City to a rent-free building provided by an area hospital.

Revenues and Expenses The North La. AHEC is funded by contractual agreements with various state and federal agencies. These agreements represent exchange transactions for goods and services under the guidance provided by Financial Accounting Standards Board Accounting Standards Codification 958 "Non-profit Entities". Support for the North La. AHEC is provided by the Louisiana Legislature through funding to Louisiana State University Medical Center (LSUMC) for continuing the operations of the Area Health Education Program. In accordance with Article 7, Section 14(c) of the Louisiana Constitution a Cooperative Endeavor was entered into by and between the Board of Supervisors of Louisiana State University Agricultural and Mechanical College, acting on behalf of the Louisiana State University Medical Center, Shreveport and the North La. AHEC. This agreement is a state funded replacement of a cooperative agreement originally between the United States Public Health Service (entered into in 1988 and terminated on September 29, 1994) and Louisiana State University Medical Center for the establishment of a state wide area health education center program.

Expenses are to be made in accordance with a budget which has been adopted and made a part of the contract agreement with LSUMC. The North La. AHEC is to be reimbursed by LSUMC for costs incurred in carrying out the provisions of this agreement. An advance is paid to the North La. AHEC by the tenth working day of each month. Revenues are recorded when earned and expenses when incurred. Additional programs added to enhance the North La. AHEC's ability to serve the community is supported by other federal and state grants. These grants operate on a cost reimbursement basis.

Contributions Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The North La. AHEC primarily receives cash from various government contracts on an exchange transaction for specified services. These revenues are not considered contributions and are recorded as an increase in unrestricted net assets.

Functional Allocation of Expenses The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between fund raising, management and general, supporting services or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the North La. AHEC.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2011**

NOTE 2 - RESTRICTIONS ON NET ASSETS

Clinic

Temporary restrictions on net assets at the end of 2011 are related to funds received from a private donor to be used for the purpose of operating an outpatient medical clinic staffed by LSUHSC-S Department of Family Medicine and Comprehensive Care personnel; this clinic is known as the Provenance Medical Clinic. The funds received are restricted to payment of start-up costs and lease payments paid by North La AHEC and operating expenses for the clinic paid by LSUHSC-S. Those restrictions are considered to expire when payments are made. Interest earned on the temporary investments of such support is unrestricted. Temporarily restricted net assets of \$320,223 as of fiscal year ended September 30, 2011 are available for the payment of future clinic expenses.

North La. AHEC and the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College entered into a cooperative endeavor agreement beginning September 1, 2011 and terminating August 31, 2014 regarding the staffing of qualified physicians and support personnel, insurance, leasing and operating expenses relating to the Provenance Medical Clinic.

Gladney Endowment Fund

Permanently restricted net assets at September 30, 2011 consist of an endowment fund transferred to North La. AHEC in 2000 to be used to support a physician with an interest in rural medicine. The recipient must be a graduate of a Louisiana medical school, have participated in rural AHEC training programs and have already matched with a Louisiana Family Practice Residency Program. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by North La. AHEC indefinitely until \$100,000 is reached and the income from the fund is to be expended for one-time scholarships to physicians. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absences of donor-imposed restrictions. The funds are to be held in a separate cash account.

North La. AHEC has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, North La. AHEC classifies as permanently restricted net assets (1) the original value of gifts noted to the permanent endowment until the endowment reaches \$100,000, (2) the original value of subsequent gifts to the permanent endowment until the endowment reaches \$100,000, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by North La. AHEC in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, North La. AHEC considers the following factors in making determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) North La. AHEC's investment policies.

Endowment assets are invested in money market funds. As of September 30, 2011, the original endowment principal had obtained the funding raising goal of \$100,000. North La. AHEC has a policy of appropriating for distribution on an annual basis, \$2,500 in a one-time scholarship if an applicant is determined to be deemed merited and meets the

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2011**

selection criteria, endowment fund's investment income that is not permanently restricted. The Gladney endowment fund bank account was used as collateral for the notes payable-line of credit. See Note 9 for further information.

The composition of the endowment net assets for this fund and the changes in endowment net assets as of September 30, 2011 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2010 (restated)	\$ 14,656	\$ 100,000	\$ 114,656
Contributions	-	-	-
Investment income	998	-	998
Net appreciation	-	-	-
Amounts appropriated for expenditure	-	-	-
Endowment net assets, September 30, 2011	\$ 15,654	\$ 100,000	\$ 115,654

NOTE 3 - DEPOSITS AND INVESTMENTS At September 30, 2011, the North La. AHEC had cash and cash equivalents (book balances) totaling \$377,303 in demand deposits. These deposits are as follows: Cash and cash equivalents - \$261,649 and Restricted cash and cash equivalents - Gladney endowment \$115,654. Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year end, the North La. AHEC's carrying amount of deposits was \$377,303 and the bank balance was \$452,067. Of the bank balance, \$86,692 was covered by federal deposit insurance and \$365,375 was insured through Securities Investor Protection Corporation (SIPC).

Interest Rate Risk: The North La. AHEC's policy does not address interest rate risk.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the North La. AHEC's deposits may not be returned to it. As of September 30, 2011, the North La. AHEC had no custodial risk because the bank balances were fully insured by FDIC and SIPC.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the North La. AHEC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2011, North La. AHEC had \$219,638 in short term investments invested in equity common stocks that were insured either through SIPC or an excess SIPC insurance coverage.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2011**

Concentration of Credit Risk – Investments:

<u>Issuer</u>	<u>Amount</u>	<u>Percent of Total Investments</u>
Chipotle Mexican Grill, Common Stock	\$219,638	100.0%

The following schedule summarizes investment returns and their classification in the statement of activities for the year ended September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Investment Income	\$ 628	\$ 998	\$ 1,626
Net realized and unrealized gains	15,142	-	15,142
Total investment return	\$ 15,770	\$ 998	\$ 16,768

NOTE 4 - FAIR VALUE MEASUREMENTS North La. AHEC's short-term investments are reported at fair value on a recurring basis in the accompanying statement of financial position.

<u>Description</u>	<u>9/30/2011</u>	<u>Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Trading securities:		
Equity security - Chipotle Mexican Grill	\$ 219,638	\$ 219,638

FASB ASC 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. North La. AHEC uses appropriate techniques based on the available inputs to measure the fair value of its investments.

Level 1 Fair Value Measurements:

The fair value of the equity common stock is based on quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE Accounts receivable of \$174,380 at September 30, 2011, which consist as follows:

	<u>Amount</u>
Local funds	\$ 6,233
State programs	38,716
Federal grants	129,431
Total	<u>\$ 174,380</u>

The North La. AHEC expects to collect these balances in full; therefore no allowance for doubtful accounts has been established.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2011**

NOTE 6 - UNCONDITIONAL PROMISE TO GIVE During the fiscal year ended September 30, 2011, North La. AHEC received an unconditional promise to give from a private donor in the amount of \$750,000, which is to be paid over three years. The contributions are to be used for the purpose of operating an outpatient medical clinic staffed by LSUHSC-S Department of Family Medicine and Comprehensive Care personnel; this clinic is known as the Provenance Medical Clinic. According to the promise, \$559,692 is to cover start-up costs and lease payments paid by North La AHEC and \$190,308 is to cover operating expenses paid by LSUHSC-S. During fiscal year ended September 30, 2011, North La AHEC received \$454,386 of the \$559,692; the receipt of the contribution was in the form of equity security in Chipotle Mexican Grill shares. After this contribution receipt, the remaining balance of the promise to give to cover North La. AHEC's expenses was \$105,306. The present value of the remaining contribution receivable to cover North La. AHEC's expenses is \$100,821, which \$50,411 is a receivable due in less than one year and \$50,410 is a receivable due in one to five years. North La. AHEC expects to receive the unconditional promise to give in full; therefore, no allowance for uncollectible promise to give was recorded.

NOTE 7 - CAPITAL ASSETS Capital asset balances and activity for the year ended September 30, 2011, are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Exhaustible capital assets				
Leasehold improvements	\$ -	\$ 209,573	\$ -	\$ 209,573
Buildings	65,223	-	-	65,223
Furniture and equipment	195,142	12,581	-	207,723
Transportation equipment	18,245	-	-	18,245
Total	<u>278,610</u>	<u>222,154</u>	<u>-</u>	<u>500,764</u>
Less accumulated depreciation				
Leasehold improvements	-	11,643	-	11,643
Buildings	46,606	3,710	-	50,316
Furniture and equipment	170,517	11,060	-	181,577
Transportation and equipment	18,245	-	-	18,245
Total	<u>235,368</u>	<u>26,413</u>	<u>-</u>	<u>261,781</u>
Capital assets, net	<u>\$ 43,242</u>	<u>\$ 195,741</u>	<u>\$ -</u>	<u>\$ 238,983</u>

NOTE 8 - ACCOUNTS, SALARIES AND OTHER PAYABLES Accounts, salaries and other payables at September 30, 2011, of \$268,676 consisted as follows:

	Amount
Vendors	\$ 11,957
Constuction	209,573
Salaries	31,550
Payroll taxes	15,596
Total	<u>\$ 268,676</u>

NOTE 9 - NOTES PAYABLE - LINE OF CREDIT In April 2010 North La. AHEC signed a letter of credit agreement with Capital One. The principal amount was for \$75,000 with a maturity date of April 22, 2012 and interest rate of 4.75%. The drawing down on the line of credit began February 2011. The balance owed on the loan as of September 30, 2011 was \$74,229. The Gladney Endowment fund is used as collateral for the line of credit.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2011**

NOTE 10 - LONG TERM OBLIGATIONS The following is a summary of the long-term obligation transactions for the year ended September 30, 2011:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 55,744	\$ 54,076	\$ 54,076	\$ 55,744	\$ 41,808
Capital leases	5,083	-	1,282	3,801	1,334
Total	<u>\$ 60,827</u>	<u>\$ 54,076</u>	<u>\$ 55,358</u>	<u>\$ 59,545</u>	<u>\$ 43,142</u>

NOTE 11 - COMPENSATED ABSENCES All employees earn vacation time based on their years of service. As of September 30, 2011 accrued vacations was \$55,744, which included \$3,961 of employee related benefits.

NOTE 12 - DEFERRED COMPENSATION PLAN The North La. AHEC sponsors all of its eligible full-time employees in a noncontributory tax-deferred compensation plan under the rules in IRC Section 403(b). The amount of contributions by the North La. AHEC to the Plan will be determined annually based on budget allocations and applicable law limitations. Contributions by the North La. AHEC totaled \$137,577 for 2011.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Litigation and claims The North La. AHEC is not presently involve in litigation.

Grants Disallowances North La. AHEC participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursing by the grantor agency for expenditures disallowed under terms of the grants. North La. AHEC's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 14 - RISK MANAGEMENT North La. AHEC is at risk for property damage, liability and theft which are covered by insurance policies. However, it was noted that as of fiscal year ended September 30, 2011, North La. AHEC did not have an insurance policy covering Directors, Officers and Organizational Liability.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2011**

NOTE 15 - DEFERRED REVENUE The beginning balance of deferred revenue carried over from the prior year was \$130,970. Revenues exceeded expenditures for the current year. At September 30, 2011 there was \$382,794 of deferred revenue recorded on the financial statements and are for the following programs:

	<u>Amount</u>
Healthy Start Grant	\$ 228,660
Immunization Grant	11,200
LSUMC - Cooperative Endeavor	77,650
LSUMC - Cancer Control	4,254
LACHIP	48,474
Maternal and Child	<u>12,556</u>
Total	<u>\$ 382,794</u>

NOTE 16 - ECONOMIC DEPENDENCY Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 280-10-50-42 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenue. The Department of Health and Human Services, in which part of the funding is passed through the State of Louisiana and Louisiana State University Medical Center, provided \$1,211,585 or 47% of the North La. AHEC's total revenues, which \$67,133 is state funding and \$1,144,452 is federal funding.

NOTE 17 - BUILDING RENTAL North La. AHEC moved into a building in Bossier City, Louisiana in October 2006. The building is owned by Willis Knighton Medical Center and furnished rent free to North La. AHEC. The building is 3,822 square feet with a rental value of \$1.00 per square foot per month at current market price as determined by a local realtor. For the fiscal year 2011, donation income and rent expense of \$45,864 was recorded on North La. AHEC's financials.

NOTE 18 - OPERATING LEASES North La. AHEC leased a copier on February 14, 2009 under a non-cancelable operating lease for a sixty month period. Total cost for such lease was \$6,986 for the year ended September 30, 2011. The future minimum lease payments for the copier lease are as follows:

<u>Year Ending Sept.30</u>	<u>Amount</u>
2012	\$ 6,986
2013	6,986
2014	<u>5,822</u>
Total	<u>\$ 19,794</u>

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2011**

North La. AHEC signed a lease on February 17, 2011 commencing on July 1, 2011 for building space for the purpose of operating an outpatient medical clinic staffed by LSUHSC-S Department of Family Medicine and Comprehensive Care personnel. The lease is a thirty-six month lease and the lease payments cover the fixed minimum rent, common area maintenance costs, real estate taxes and insurance premiums. The total costs for such lease was \$19,058 for the year ended September 30, 2011. The future minimum lease payments for the building space are as follows:

<u>Year Ending Sept.30</u>	<u>Amount</u>
2012	\$ 76,231
2013	76,231
2014	57,173
Total	<u>\$ 209,635</u>

NOTE 19 - CAPITAL LEASES North La. AHEC has entered into a lease agreement as lessee for financing the acquisition of a copier. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The asset acquired in fiscal year 2009 through a five year capital lease with an interest rate of 4.0% was a copier with a cost of \$6,615, which is classified as furniture and equipment. Depreciation is calculated using the straight-line method and is using a five year useful life. Current year depreciation was \$1,323, and accumulated depreciation at September 30, 2011 was \$3,969.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 were as follows:

2012	\$ 1,462
2013	1,462
2014	<u>1,096</u>
Total minimum lease payments	4,020
Less: amount representing interest	<u>219</u>
Present value of minimum lease payments	<u>\$ 3,801</u>

NOTE 20 - GOING CONCERN During the fiscal year ended September 30, 2011, North La. AHEC had experienced cash flow shortfalls, which was diminished by North La. AHEC drawing down from the line of credit as well as drawing down grant funds in excess of expenditures. The excess in receipts were recorded, by the auditor, to deferred revenues. See Note 15 for the changes in deferred revenue. At fiscal year ended September 30, 2011, North La. AHEC reported a deficit of \$90,375 in unrestricted net assets. There is likelihood that the awarding agencies will request the excess funds to be paid back in full, which could cause substantial hardship on North La. AHEC to meet the request. North La. AHEC had refunded approximately \$65,733 during fiscal year ended September 30, 2011 to grantors, which any further payments could result in a going concern of the agency.

In addition, North La. AHEC receives a significant amount of grants and contributions from the State of Louisiana, in which requires North La. AHEC to submit the audit report to the Louisiana Legislative Auditors. If the agency's report is delinquent or is submitted with a disclaimer of opinion, then the agency will be considered to be in noncompliance of state law. Being in noncompliance can cause funding from the State of Louisiana to be suspended. Suspension of funding could cause substantial hardship on North La. AHEC, which could result in a going concern of the agency.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2011**

NOTE 21 - SUBSEQUENT EVENTS North La AHEC has evaluated subsequent events through July 13, 2012, the date of which the financial statements were available to be issued. North La AHEC had sold the remaining stock, received as a private donation for the clinic, of 725 shares on October 27, 2011 in the amount of \$249,465.

NOTE 22 - PRIOR PERIOD ADJUSTMENT North La. AHEC administers the Gladney Endowment fund. These funds have not been presented separately from unrestricted in prior years, as required. Therefore a prior period adjustment was recorded to reduce unrestricted net assets of \$114,656, which was the endowment balance as of September 30, 2010. Accordingly, the permanently restricted net assets were increased in the amount of the principal endowment of \$100,000 and the temporarily restricted net assets were increased for prior years' earnings of \$14,656. The prior period adjustment is reported in the statement of activities and resulted in total net effect of zero.

**North Louisiana Area Health
Education Center Foundation**

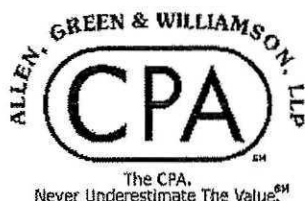
SUPPLEMENTAL INFORMATION

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Expenses
For the Year Ended September 30, 2011**

Schedule 1

	<u>Program Services Expenses</u>	<u>Supporting Services Expenses</u>	<u>Total</u>
Salaries and Related Expense			
Salaries	\$ 1,039,418	\$ 264,011	\$ 1,303,429
Payroll taxes	22,179	55,027	77,206
Employee benefits	159,527	72,660	232,187
Miscellaneous personnel expense	-	225	225
Total salaries and related expenses	<u>1,221,124</u>	<u>391,923</u>	<u>1,613,047</u>
Other expenses			
Accounting and Audit	4,000	13,294	17,294
Advertising and Marketing	15,914	4,166	20,080
Communications	2,570	-	2,570
Conferences	44,800	-	44,800
Depreciation Expense	-	26,413	26,413
Evaluations	540	-	540
Fees	-	4,069	4,069
Instructor contract cost	41,962	-	41,962
Insurance	-	2,842	2,842
Interest	-	906	906
Lease Expense	4,097	-	4,097
Licenses and Memberships	-	13,705	13,705
Maintenance	171	3,183	3,354
Miscellaneous Expense	12,798	970	13,768
Miscellaneous Services	25,170	24,072	49,242
Moving Expense	369	-	369
Postage	2,358	1,858	4,216
Printing	1,751	-	1,751
Recruiting Expense	27,558	-	27,558
Rent Expense	-	64,922	64,922
Residency Expense	10,335	-	10,335
Scholarships and Memorials	427	500	927
Supplies	180,567	35,268	215,835
Training	32,659	-	32,659
Travel	85,993	12,050	98,043
Total other expenses	<u>494,039</u>	<u>208,218</u>	<u>702,257</u>
Total	<u>\$ 1,715,163</u>	<u>\$ 600,141</u>	<u>\$ 2,315,304</u>



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive
Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA
Margie Williamson, CPA
Amy Tynes, CPA

Aimee Buchanan, CPA
Rachel Davis, CPA
Jaime Esswein, CPA
Brian McBride, CPA
Jaunicia Mercer, CPA
Cindy Thomason, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Board of Directors
North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana

We were engaged to audit the financial statements of North Louisiana Area Health Education Center Foundation (North La. AHEC) (a non-profit organization) as of and for the year ended September 30, 2011, and have issued our report thereon dated July 13, 2012. We did not express an opinion on the financial statements because lack of documentation and inadequate internal controls existed over expenditures, receipts and bank reconciliations as well as conflicting information was presented to auditors during the audit procedures in regards to documentation, approval and Board oversight. Additionally, the auditors' testing of receipts and disbursements and review of the general ledger revealed a large number of account coding errors, incidents of failure to record transactions, and/or extreme periods of delay in recording transactions. Accordingly, general ledger transactions could not be relied upon as of and for the year ended September 30, 2011. Although, we were not able to express opinions on the basic financial statements, Government Auditing Standards issued by the Comptroller General of the United States require reporting on internal control over financial reporting and compliance and other matters based on any procedures that were performed.

Internal Control Over Financial Reporting

Management of North La. AHEC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the North La. AHEC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North La. AHEC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North La. AHEC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 11-F1, 11-F2, 11-F3, 11-F4, 11-F5, 11-F6, and 11-F7 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 11-F8, 11-F9 and 11-F10 to be significant deficiencies.

Compliance & Other Matters

As part of obtaining reasonable assurance about whether the North La. AHEC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as items 11-F1, 11-F3, 11-F6 and 11-F9.

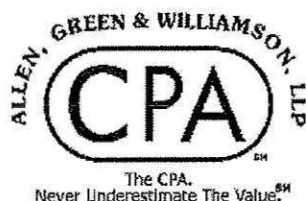
North La. AHEC's response to the findings identified in our audit are described in the accompanying corrective action plan for current year findings and questioned costs. We did not audit North La. AHEC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
July 13, 2012



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive
Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

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(Retired) 1963 - 2000

Report on Compliance With Requirements That Could Have Direct And Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Independent Auditors' Report

Board Members
North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana

Compliance

We have audited the North Louisiana Area Health Education Center Foundation's (North La. AHEC) compliance with the types of compliance requirements described in OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the North La. AHEC's major federal programs for the year ended September 30, 2011. The North La. AHEC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the North La. AHEC's management. Our responsibility is to express an opinion on the North La. AHEC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the North La. AHEC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the North La. AHEC's compliance with those requirements.

Lack of documentation and inadequate internal controls existed over expenditures, receipts and bank reconciliations as well as conflicting information was presented to auditors during the audit procedures in regards to documentation, approval and Board oversight. Additionally, the auditors' testing of receipts and disbursements and review of the general ledger revealed a large number of account coding errors, incidents of failure to record transactions, and/or extreme periods of delay in recording transactions. Accordingly, general ledger transactions could not be relied upon.

Because of these scope limitations described above we were unable to express, and did not express, an opinion on the North La. AHEC's compliance in accordance with OMB Circular A-133 over the Immunization Program and Healthy Start Program.

Internal Control Over Compliance

The management of the North La. AHEC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the North La. AHEC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the North La. AHEC's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in the entity's internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detect and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-F11, 11-F12, 11-F13 and 11-F14 to be material weaknesses.

North La. AHEC's response to the finding identified in our audit is described in the accompanying corrective action plan for current year findings and questioned costs. We did not audit North La. AHEC's response, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
July 13, 2012

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
Department of Health and Human Services			
Direct Programs:			
Healthy Start Division	93.926	5H49MC00084-10-00, 5H49MC00084-11-00, 6H49MC00084-10-00, 6H49MC00084-11-00,	\$ 528,929
Passed Through State of Louisiana Department of Health and Hospitals, Office of Public Health			
Maternal and Child Health Services Cluster:			
Maternal and Child Health Program	93.994	CFMS# 689625, 701083	52,887
Nurse Family Partnership	93.994	CFMS# 698393, 700910	65,737
Total Maternal and Child Health Services Cluster:			<u>118,624</u>
The Children Health Insurance Program (CHIP)	93.767	CFMS# 692120, 700160	51,847
Immunization Grants	93.268	CFMS# 685163, 685164, 685165, 693926, 693928, 693930	320,811
Passed Through AHECS for a Healthy Louisiana			
Health Careers Opportunity ARRA	93.416	NA	9,964
Passed Through Louisiana State University and Agricultural and Mechanical College			
Health Resources and Services Administration	93.107	CFMS#502616	64,261
Centers for Disease Control and Prevention	93.283	5U58DP00769-05	50,016
Total Department of Health and Human Services			<u>1,144,452</u>
Department of Agriculture			
Passed Through State of Louisiana Department of Health and Hospitals, Office of Public Health			
Women, Infants and Children (WIC) Cluster:			
Women, Infants and Children (WIC) Transportation	10.557	CFMS# 654786, 695116	47,261
Women, Infants and Children (WIC) Breastfeeding	10.557	CFMS# 693949	69,085
Total for Women, Infants and Children (WIC) Cluster:			<u>116,346</u>
Total Federal Awards			<u>\$ 1,260,798</u>

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011**

NOTE 1 - GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the North Louisiana Area Health Education Center Foundation. The North La. AHEC's reporting entity is defined in Note 1 to the North La. AHEC's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

NOTE 2 - BASIC OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS Federal Awards revenues are reported in North La. AHEC's financials within the "Grant revenue - Federal" classification. The federal portion for fiscal year ended September 30, 2011 was \$1,260,798.

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

NOTE 5 - MATCHING REVENUES For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

**North Louisiana Area Health
Education Center Foundation
Schedule of Findings and Questioned Costs
September 30, 2011**

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was disclaimer.
- ii. There were ten significant deficiencies required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.

Seven of the significant deficiencies were considered to be material weaknesses.

- iii. There were four instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

Audit of Federal Awards

- iv. There were four significant deficiencies required to be disclosed by OMB Circular A-133.
Four of the significant deficiencies were considered to be material weaknesses.
- v. The type of report the auditor issued on compliance for major programs was a disclaimer.
- vi. The audit disclosed four audit findings which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal programs were:

Immunization Grant	CFDA# 93.268
Healthy Start	CFDA# 93.926
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular A-133, Section .530.

North Louisiana Area Health
Education Center Foundation
Schedule of Findings and Questioned Costs
September 30, 2011

Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: **11-F1** **Lack of Board Meetings**

Entity-wide or program/department specific: This finding is entity-wide

Criteria or specific requirement: According to Louisiana R.S. 12:229 and North Louisiana Area Health Education Center's (NLAHEC) articles of incorporation, "at least one meeting of the members shall be held in each calendar year for the election of directors."

According to La. R.S. 42:14 through 42:23, any agency receiving state or local funds must follow the "Open Meetings Law." This requires the public to be given at least a twenty-four hour advanced notice of the meeting, allows for some means of public comment, and allows for the recording of the meeting by the audience.

Condition found: For fiscal year ended September 30, 2011, NLAHEC did not have at least one meeting of the members for the election of directors, which is in violation of Louisiana R.S. 12:229 and NLAHEC's articles of incorporation.

NLAHEC does not have policies and procedures in place to ensure that the "Open Meetings Law" is followed.

During fieldwork, the auditors received minutes from management reflecting a meeting was held by mail ballots; however, after speaking with several Board Members, the ballot meeting could not be confirmed. Additionally, management could not provide a copy of the ballots received for this meeting.

Furthermore, although management provided a memo to the auditors stating that the lack of board meetings were due to the inability to obtain a quorum, the auditor was unable to confirm this information due to several Board Members stating that they had received no information nor were they contacted regarding any meeting dates.

Additionally, the LSUMC AHEC Project Liaison, the Executive Director of NLAHEC, and the Executive Board and/or Board of Directors of NLAHEC did not jointly meet quarterly for the purpose of planning, implementation and evaluation of activities as required by a cooperative endeavor.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause due to conflicting information.

Effect: NLAHEC is in violation of La R.S. 12:229 and NLAHEC's articles of incorporation.

Recommendations to prevent future occurrences: NLAHEC should establish policies to document set procedures for scheduling Board Meetings and maintain appropriate documentation to substantiate the scheduling process. Additionally, NLAHEC should establish procedures to ensure that the "Open Meetings Law" is followed. If for any reason a quorum cannot be obtained, then procedures should be established to reschedule the Board Meeting at the next earliest convenient date.

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Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: **11-F2** **Approval Process for Disbursements**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: According to NLAHEC's policy regarding check signing, "checks over \$2,500 must be signed by at least two individuals, including the CEO/Executive Director, the President or Treasurer of the Board of Directors."

Condition found: During a review of checks that cleared the month of August 2011, it was noted that two of the four checks that exceeded \$2,500 did not have dual signatures.

During the auditors' review of expenses that were coded to the cooperative endeavor's account codes, a check written to Bossier Parish Community College for \$8,135.28 was requested from management. When management provided the auditor with the invoice, a copy of the check image was attached to the invoice. The check image is a picture of the check after being paid by the bank. In review of the check image, it was noted that check had two signatures, yet the Board President's signature appeared to be manually signed after the check image was printed. The auditor compared the check image received with the invoice to another copy of the check image received in the review of the August 2011 bank statement, it was noted that the check only contained one signature. When the Board President was questioned by the auditor about the signature being on one check image, but not on the other, no explanation could be provided.

It was also noted that NLAHEC utilizes an electronic funds transfer (EFT) system at times to pay expenses rather than writing checks. Some of the EFT payments written exceed the \$2,500 amount that required dual signatures. During the auditors' test work, it was noted that some of the EFT payments received the required second approval and some did not. Furthermore, it was noted that the initials of the second approval are the Board President's initials. When the auditor requested invoices for periods subsequent to year end, it was noted that the Board President's initials did not match the initials that were received for earlier tests. During an interview with the Board President, it was confirmed that the initials on the subsequent invoices tested were not the Board President's initials and were falsified.

Possible asserted effect (cause and effect):

Cause: NLAHEC is not obtaining the second approval on expenses over \$2,500 prior to the mailing of the payments as required by their policies.

Effect: Internal controls are weakened over disbursements.

Recommendations to prevent future occurrences: NLAHEC should establish procedures to ensure that all expenses over \$2,500, whether paid by check or EFT, are approved before the mailing of the checks or the processing of the payment.

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Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: **11-F3** **Noncompliance of Cooperative Endeavor Agreement**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: In accordance with the cooperative endeavor agreement between the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSUMC) and NLAHEC, the LSUMC AHEC Project Liaison, the Executive Director of NLAHEC, and the Executive Board and/or Board of Directors of NLAHEC shall jointly meet no less often than quarterly for the purpose of planning, implementation and evaluation of activities. The cooperative endeavor also reflects that NLAHEC will make expenditures according to the budget, unless the funds are rebudgeted with prior approval of LSUMC AHEC Project Liaison. Furthermore, NLAHEC must submit monthly invoices detailing actual direct and indirect cost for the prior month within 30 days of month-end, submit a report detailing all expenditures and commitments no later than July 15th of each year, submit an inventory of any equipment purchased with funds provided under the cooperative endeavor no later than July 15th of each year and submit activity reports to the LSUMC AHEC Project Liaison.

Condition found: The following exceptions were noted during the testing of compliance in accordance with the cooperative endeavor:

- No meetings were jointly held during the fiscal year ended September 30, 2011 between LSUMC AHEC Project Liaison, the Executive Director of NLAHEC, and the Executive Board and/or Board of the Directors of NLAHEC.
- There were expenditures noted during the fiscal year that were not in accordance with the budget and NLAHEC did not obtain prior approval from LSUMC AHEC Project Liaison for rebudgeting. The revenue received for these expenses were moved to deferred revenue in the amount of \$77,650.
- It was noted that monthly invoices, a report detailing all expenditures and commitments, an inventory listing, and activities reports were not submitted to the LSUMC AHEC Project Liaison as stated in the cooperative endeavor during the fiscal year ended September 30, 2011.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause for no meetings being held during the fiscal year. For financial report requirements, it was noted that during the fiscal year ended September 30, 2011 NLAHEC had experienced significant turnover in the Fiscal Coordinator position.

Effect: NLAHEC is not in compliance with the cooperative endeavor agreement between LSUMC and NLAHEC.

Recommendations to prevent future occurrences: NLAHEC should establish policies and procedures, that are approved by the Board of Directors, to ensure that all requirements are met in accordance to the cooperative endeavor agreement between LSUMC and NLAHEC.

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Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: **11-F4** **Inadequate Internal Controls over Financial Reporting**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Good internal control over financial reporting requires that accounting records contain accurate and complete information which would ensure that financial data can be relied upon to monitor the financial well-being of NLAHEC. These controls include bank reconciliations performed timely to ensure that unexplained differences in the bank and general ledger balances are discovered and resolved within a reasonable timeframe. Bank reconciliations should be reviewed for accuracy and dated to ensure they are completed timely. Any outstanding items should be periodically reviewed to ensure that they are valid transactions. Periodic reviews should be performed over the journal entries made and general ledger accounts to ensure that all transactions relating to the fiscal year are properly recorded and classified in the accounting records. Receipts should be deposited in a timely manner, within three business days, and recorded properly. Additionally, proper segregation of duties or mitigating controls in situations of lack of segregation of duties should be established and proper documentation should be maintained.

Condition found: The following items were noted during the testing of internal controls over financial reporting and review of the general ledger:

- When testing 29 randomly selected receipts, it was noted that 18 of the receipts were either not deposited in a timely manner, within 3 business days from the time of collections, or timeliness could not be determined due to inadequate documentation. Additionally, 3 of the 29 receipts were not properly recorded.
- When testing 6 bank reconciliations for timeliness and agreement to the general ledger, it was noted that all 6 bank reconciliations were not performed in a timely manner, with lag time ranging from 6 months to 12 months. In fact, all the bank reconciliations tested were not reconciled until calendar year 2012. It was also noted that 3 of the 6 bank reconciliations did not agree to the general ledger.
- When testing income, it was noted that a number of receipts were not recorded properly, which resulted in the auditor proposing material adjustments for proper classification.
- When testing investments, it was noted that NLAHEC had not recorded the redemption of bonds as well as the donation of stock that was made by a private donor to NLAHEC. It was also noted that part of the stock was sold before the fiscal year ended, in which the sale of stock was not recorded. These transactions required material audit adjustments.
- When testing accounts receivable, it was noted that NLAHEC did not record an unconditional promise to give as an accounts receivable. This transaction required a material audit adjustment.
- When reviewing the general ledger transactions, it was noted that NLAHEC deposited two AHEC Affiliates' checks into their account. Additionally, the recording of the deposit error was not posted correctly. It was also noted during the review of the general ledger that NLAHEC had prepaid expenses that were not properly recorded. These transactions resulted in audit adjustments.
- When reviewing payroll benefits, it was noted that NLAHEC had not paid federal unemployment tax during the fiscal year ended September 30, 2011.
- When reviewing controls over payroll direct deposits, it was noted that the Fiscal Coordinator position has full access and authority in processing payroll. One mitigating control is that the Executive Director reviews the general ledger on a regular basis; however, this mitigating control could not be tested due to lack of documentation.

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Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Possible asserted effect (cause and effect):

Cause: During the fiscal year ended September 30, 2011, NLAHEC experienced significant turnover in the Fiscal Coordinator position.

Effect: The internal controls over financial reporting are weakened.

Recommendations to prevent future occurrences: NLAHEC should review all policies concerning financial reporting and internal controls over financial reporting. These policies should be adjusted to strengthen the controls over financial reporting as well as approved by the Board of Directors. Procedures should be established to ensure that policies are adhere to.

Reference # and title: **11-F5** **Vendor Disbursements**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, and paid timely. Additionally, all supporting documentation for the expenditures should be obtained, maintained and not altered. Furthermore, travel reimbursements should be in accordance with NLAHEC's policy or grant requirements. Effective internal controls over disbursements ensure that 1099 forms are sent to all vendors that are required to be reported.

Condition found: While testing vendor disbursements, the following items were noted:

- When testing 27 checks and 23 electronic funds transfer that were randomly selected, it was noted that 5 disbursements were not charged to the correct accounts and 1 disbursement included late charges.
- When testing 9 vendor disbursements from the general ledger, it was noted one vendor did not receive a 1099 as required, one vendor's payment was not reduced due to a substitute having to fill in the vendor's behalf, and one vendor (the substitute) did not have a contract nor provided an invoice for work performed. Additionally, it was noted that two of the checks tested did not have a second signature as required by NLAHEC's policy, yet the checks exceeded the \$2,500 threshold.
- When testing two months of credit card purchases, which included approximately 100 transactions, it was noted that 5 transactions did not have adequate documentation to substantiate the purpose of the payment; 9 transactions were not properly recorded based on the description of the expense; 10 transactions were not properly recorded based on the coding on the request; 4 transactions were for food, yet the description appeared to be altered to reflect expense as supplies; and 1 transaction was not for NLAHEC, but was for another entity.
- When testing for unrecorded liabilities, it was noted that an invoice for leasehold improvements was not recorded. This transaction required a material audit adjustment. It was also noted that the two credit card statements reviewed did not have all supporting documentation attached and one item was sent and attached after the auditor requested the statement.

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- It was noted during the test of payroll, that one individual being paid during the year moved from a contract status to an employee status; however, the individual did not receive a 1099 form for the payments made under contract.
- When reviewing the vendor listing, it was noted that three individuals selected did not receive a 1099 form, but were required to be reported.
- When testing 23 travel reimbursements, it was noted that 2 reimbursements were not approved until 2 months after payment and one travel reimbursement was not split or reimbursed in accordance with the applicable cooperative endeavor agreement.

Possible asserted effect (cause and effect):

Cause: During the fiscal year ended September 30, 2011, NLAHEC experienced significant turnover in the Fiscal Coordinator position. However, the auditor was unable to determine the cause for altering check request, for not having the required second signature and not sending out the required 1099 forms to vendors.

Effect: The internal controls over vendor disbursements are weakened.

Recommendations to prevent future occurrences: NLAHEC should establish policies and procedures to ensure that all expenses are properly recorded, properly approved, have all required supporting documentation and documentation is not altered. Additionally, procedures should be established to ensure travel reimbursements are in accordance with NLAHEC's policy and in accordance with any grant agreements. All vendor disbursements should have all required signatures for approval and payment. NLAHEC should also establish monitoring procedures to ensure that the policies are being adhered to.

Reference # and title: **11-F6** **Grant Management**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Proper internal controls over grant management require that all invoices submitted for reimbursement agree to actual expense paid, invoices should be reviewed and approved, and in accordance with the grant or contract agreement. Internal controls over grant management also include ensuring that funds received are being used on the activities related to the program.

Condition found: When reviewing grant and contract agreements and the related expenses paid for these grants, the following were noted:

- NLAHEC did not have anyone reviewing the general ledger expenses and request for reimbursements to ensure they are being properly recorded and requested. From the review of three programs it was noted that in some cases, invoices and expenses per the general ledger were not included on the request for reimbursements. In other cases, there were invoices and expenses reflected on the request for reimbursement, but not recorded in the general ledger. One invoice was noted to be split over several programs per a request for reimbursement, but yet the invoice was voided by the vendor because the service order was canceled. Therefore, no payment was made, but a reimbursement was received. Based on these differences, an audit

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adjustment was made to move excess receipts to deferred revenue in the amount of \$65,285.

- It was noted that contracts would have capped amounts for individual line items and rebudgeting was necessary to cover costs of the programs, yet no budget revisions were submitted for approval. As stated in 11-F3, the auditor proposed an adjustment in the amount of \$77,650 for the excess funds received to move to deferred revenue.
- One program allowed for fringe benefits of 15% of salaries paid based on the approved budget and NLAHEC requested for 15% of salaries paid; however, NLAHEC was only paying out approximately 9.65% in fringe benefits of salaries. This resulted in NLAHEC over-requesting approximately \$11,200. The auditor proposed an adjustment to move the excess receipts to deferred revenue.
- For another program, it was noted that NLAHEC was drawing 1/12th of the grant award each month rather than drawing down funds based on expenses. For two months, NLAHEC duplicated the draw down, causing 4 months worth of draw downs to be received in 2 months. Based on the extra draw downs and actual expenses, it was noted that NLAHEC over-requested \$97,690 from the awarding agency.
- During the test of income, it was also noted that during the fiscal year ended September 30, 2011 NLAHEC had to pay back approximately \$65,733 for three programs, which had excess funds.
- It was also noted that there appears to be a disconnect between the individuals over the programmatic responsibilities and the individuals over the financial responsibilities.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: NLAHEC is not in compliance with grant and contract agreements.

Recommendations to prevent future occurrences: NLAHEC should establish policies and procedures to ensure the approved budgets are being followed. Additionally, any rebudgeting that is necessary should be submitted to the appropriate agencies for approval before requests are being submitted. Monitoring procedures should be established to ensure expenses are recorded properly and requested properly and timely. Furthermore, both the programmatic and financial departments should work together to ensure programs are operating effectively and efficiently.

Reference # and title: **11-F7** **Compensated Absences**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: According NLAHEC's employee policies and procedures manual, of the available vacation that is not used by the end of the benefit year, employees may carry up to forty hours of unused time forward to the next benefit year. Employees that follow the appropriate termination procedure will be paid for unused vacation time that is earned through the last day of work. Additionally, internal controls over compensated absences required adequate documentation for leave taken as well as leave accumulated be documented and maintained.

Condition found: During the testing of compensated absences, it was noted that NLAHEC's policy of capping unused vacation time to 40 hours for carry over is not being adhered to. Additionally, it was noted that the leave documentation for all employees is not located in the same, centralized location. Furthermore, when substantiating

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the accumulated leave balances, the auditor received conflicting information. Therefore, the ending liability could not be substantiated. It appears that the CEO had been maintaining her own compensated absences records.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The internal controls over compensated absences are weakened.

Recommendations to prevent future occurrences: NLAHEC should review the current policy manual concerning vacation leave and update the policy for any changes necessary. If the policy is updated, it should be approved by the Board of Directors. All employees' leave records should be maintained in a centralized location and proper approval should be obtained at time the leave is requested. Monitoring procedures should be established to ensure policies and procedures are adhered to.

Reference # and title: **11-F8** **Capital Assets**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Proper internal controls over capital assets ensure that proper accounting of capital assets is maintained. Expenditures should be correctly classified in the accounting records. Capital assets should be added to the listing based on historical costs. Monitoring should be performed frequently to ensure the capital asset listing is current and complete.

Condition found: While testing of capital assets, the following was noted:

- When testing capital asset additions, it was noted two capital assets were purchased during the fiscal year ended September 30, 2011, but were not added to the asset listing; one item purchased was added to the listing, but was given away as an award; and two assets purchased during the year did not reflect the proper cost on the listing.
- When performing a capital asset inspection, it was noted that the auditor received conflicting information regarding the location of an ipad. However, NLAHEC was later able to produce the ipad to the auditor for testing.
- It was also noted that some additions were not properly recorded in the general ledger and an audit adjustment was recorded.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The internal controls over capital assets are weakened.

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Recommendations to prevent future occurrences: NLAHEC should establish policies and procedures that all items purchased over the capital asset threshold be tagged and listed on the capital asset inventory listing. Communication should be strengthened between the financial department and inventory department to ensure the listing is complete and accurate. Monitoring procedures should be established to ensure capital assets are properly maintained.

Reference # and title: **11-F9** **Late Submission of Audit Report to Legislative Auditor**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: The audit report should be filed timely to the Louisiana Legislative Auditors within six months after year end, accordance to Louisiana R.S. 24:513A (5) (a) (i).

Condition found: Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year". NLAHEC's audit for the year ended September 30, 2011 was not completed within six months of the close of the NLAHEC's year end. The auditor requested NLAHEC to request an extension, after revenues were classified, due to a new federal program was required to be tested.

Possible asserted effect (cause and effect):

Cause: During the fiscal year ended September 30, 2011, NLAHEC experienced significant turnover in the Fiscal Coordinator position.

Effect: NLAHEC did not meet the compliance requirements of with the State of Louisiana.

Recommendation to prevent future occurrences: NLAHEC should establish procedures to ensure records are maintained timely.

Reference # and title: **11-F10** **Endowment Funds**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: The Gladney Endowment is an endowment fund that was transferred to North La. AHEC in 2000 to be used to support a physician with an interest in rural medicine. The recipient must be a graduate of a Louisiana medical school, have participated in rural AHEC training programs and have already matched with a Louisiana Family Practice Residency Program. These funds should be set aside in a separate account as restricted. Additionally, these funds should not be pledged as collateral for any reason unless prior approval has been obtained from the endowment committee.

Condition found: When performing procedures on NLAHEC's notes payable – line of credit, it was noted on the confirmation received from the bank that the Gladney Endowment account was used as collateral for the notes

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payable, if the agency would become in default. The auditor was unable to determine if the endowment committee had approved these funds to be pledged.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The endowment funds are placed at risk, if the agency is unable to meet the obligations of the notes payable.

Recommendations to prevent future occurrences: NLAHEC should establish procedures to ensure that endowment funds are not being used as pledged collateral and risking the loss of those funds if the agency's obligations are not met, without proper approval.

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Part III - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section. 510(a):

Reference # and title: **11-F11** **Cash Management**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Immunization Grant	United States Department of Health and Human Services/ Passed through Louisiana Department of Health and Hospitals, Office of Public Health	93.268	2010, 2011
Healthy Start	United States Department of Health and Human Services	93.926	2011, 2012

Criteria or specific requirement: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the awarding agency and disbursement.

Condition found: When reviewing cash management, the following was noted:

- For the Immunization Grants/Vaccine for Children, the budget allowed for fringe benefits of 15% of salaries paid and NLAHEC requested for 15% of salaries paid; however, NLAHEC was only paying out approximately 9.65% in fringe benefits of salaries. This resulted in NLAHEC over-requesting approximately \$11,200. The auditor proposed an audit adjustment to move the excess receipts to deferred revenue.
- For the Healthy Start grant, it was noted that NLAHEC was drawing 1/12th of the grant award each month rather than drawing down funds based on expenses. However, for two months, NLAHEC duplicated the draw down, causing 4 months worth of draw downs to be received in 2 months. Based on the extra draw downs and actual expenses, it was noted that NLAHEC over-requested \$97,690 from the awarding agency. The auditor proposed an audit adjustment to move the excess receipts to deferred revenue.
- It was also noted that there appears to be a disconnect between the individuals over the programmatic responsibilities and the individuals over the financial responsibilities.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: NLAHEC was not in compliance with the compliance requirements relating to cash management.

Recommendations to prevent future occurrences: NLAHEC should establish procedures to ensure that requests for reimbursements only include actual costs paid or payments no later than three days after receipt, depending on the program. Monitoring procedures should be established to ensure cash management procedures are followed.

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Part III - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section. 510(a):

Reference # and title: **11-F12** **Allowable Costs**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Healthy Start	United States Department of Health and Human Services	93.926	2011, 2012

Criteria or specific requirement: Each federal program should be expensed in accordance with the approved budget and OMB Circular A-122. For any budget revisions or rebudgeting needs, the grantee should seek prior approval from the awarding agency. The payroll charged to a federal program should be supported by personnel activity reports or semi-annual time certifications.

Condition found: In testing expenses, the following items were noted:

- Four payroll disbursements tested were not supported by personnel activity reports or semi-annual time certifications.
- Three payroll disbursements tested were not in accordance with the approved budget and a budget amendment was not approved by the awarding agency.
- It was also noted that time certifications were only completed annually and not semi-annually for those employees being paid 100% with program funds.
- When testing of fringe benefits, it was noted that benefits charged to the program exceeded the budgeted amount allowed.

Because of the differences in salaries and benefits noted above in comparison to the approved budget, it was noted that expenses regarding these items exceeded the budget by \$18,846.

Questioned Costs: The questioned costs, based on the exceptions noted, were \$18,846. However, the likely questioned costs extracted over the population were \$36,930.85.

Proper perspective for judging the prevalence and consequences: The calculation consisted of three individuals' salaries in comparison to the budget narrative and total fringe benefits in regards to 25% of salaries as per the approved budget.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: NLAHEC was not in compliance with the compliance requirements relating to allowable costs.

Recommendations to prevent future occurrences: NLAHEC should establish procedures to ensure that expenses paid are in accordance with the approved budget. If budget revisions are necessary, NLAHEC should establish procedures to ensure these funds are rebudgeted and approved based on the needs of the agency. Monitoring procedures should be established to ensure only allowable cost are being paid.

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Part III - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section. 510(a):

Reference # and title: **11-F13** **Reporting**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Healthy Start	United States Department of Health and Human Services	93.926	2011, 2012

Criteria or specific requirement: Federal financial report, SF-425, is required to be submitted quarterly and annually. The reports include information regarding cash receipts, cash disbursements and cash on hand. It also includes federal expenditures and unobligated balances remaining on the federal funds authorized. The SF-425 for the quarterly information should be submitted within 30 days after the period end whereas the annual report is required to be submitted within 90 days after period end.

Additionally, a non-competing performance report is required to be submitted, which includes the number of individuals served with program funds.

Condition found: In testing financial and performance reports, the following exceptions were noted:

- Three of the four quarterly SF-425 reports were not submitted within the 30 day requirement.
- The cash disbursements on the quarterly SF-425 reports were reported incorrectly. The agency reported the amount received rather than actual disbursements paid.
- The annual SF-425 report was not submitted within the 90 day requirement as well as the total funds expended reported were not actual expenses but amounts of federal funds received.
- When reviewing the performance report, it was noted that the agency did not report the number of women served over 25 years of age accurately.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: NLAHEC was not in compliance with the compliance requirements relating to reporting.

Recommendations to prevent future occurrences: NLAHEC should establish procedures to ensure that required financial and performance reports are accurate and submitted timely. Monitoring procedures should be established to ensure reporting requirements are met.

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Part III - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section. 510(a):

Reference # and title: **11-F14** **Vendor Disbursements**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Immunization Grant	United States Department of Health and Human Services/ Passed through Louisiana Department of Health and Hospitals, Office of Public Health	93.268	2010, 2011
Healthy Start	United States Department of Health and Human Services	93.926	2011, 2012

Criteria or specific requirement: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, and paid timely. Additionally, all supporting documentation for the expenditures should be obtained, maintained and not altered. Furthermore, travel reimbursements should be in accordance with NLAHEC's policy or grant requirements. Effective internal controls over disbursements ensure that 1099 forms are sent to all vendors that are required to be reported.

**SEE PART II FINDING 11-F5 FOR CONDITION FOUND, POSSIBLE
ASSERTED EFFECT & RECOMMENDATIONS**

**North Louisiana Area Health
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OTHER INFORMATION

**North Louisiana Area Health Education Center Foundation
Summary Status of Prior Year Audit Findings
September 30, 2011**

Reference # and title: **10-F1** **Internal Controls Over Bank Reconciliations**

Origination Date: This finding originated fiscal year ended September 30, 2010.

Entity-wide or program/department specific: This finding pertains entity-wide.

Condition: Proper internal controls over bank reconciliations require that they be completed timely, to ensure that unexplained variances between bank and general ledger balances are discovered and resolved quickly. Ending bank reconciliation balances should agree to the entity's financial records. Reconcilable items on the bank reconciliations should be periodically reviewed to determine if the balances are correctly stated on the financial statements.

Through review of the fiscal year ending September 30, 2010 bank reconciliations, it was noted that the entity's ending bank reconciliation balance did not support the ending balance of the entity's general ledger. No reviews were completed to ensure the Agency's bank reconciliations agreed to their financial statement balances. In addition, several outstanding checks were noted on the bank reconciliation from prior years.

Corrective action planned: See current year finding 11-F4.

Reference # and title: **10-F2** **Late Submission of Audit Report to Legislative Auditor**

Origination Date: This finding originated fiscal year ended September 30, 2010.

Entity-wide or program/department specific: This finding pertains entity-wide.

Condition: Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The Agency's audit report should be submitted to the Louisiana Legislative Auditor by March 31st each year.

The Agency's audit report for the fiscal year ending September 30, 2010 was not completed within the six month deadline as per Louisiana Revised Statute 24:513A (5) (a) (i), due to the agency and fee accountant maintaining separate accounting records, which did not coincide with one another.

Corrective action planned: See current year finding 11-F9.

Reference # and title: **10-F3** **Internal Controls Over Healthy Start Program**

Origination Date: This finding originated fiscal year ended September 30, 2009.

Entity-wide or program/department specific:

<u>Federal Grantor or Pass Through Grantor/Program Name</u>	<u>CFDA #</u>	<u>Award Year</u>
United States Department of Health and Human Services	93.926	2010

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Condition: Proper internal controls over federal programs ensure that costs are properly allocated to the federal program. In addition, revenues received should be expended on the particular program during the year in which the revenues are received, as well as to ensure the federal program is not building a significant fund balance.

In testing the Healthy Start program, the following was noted:

In a sample of twenty-six expenditures, it was noted that one disbursement was not properly allocated to the Healthy Start program. The expenditure was not based on the allocation of time the individual spent within the Healthy Start program.

While testing revenues reported by the Agency, it was noted that the Healthy Start program is continuing to build a fund balance. In the current year, program revenues still exceeded the program expenditures, resulting in an increase in deferred revenue for the Healthy Start program.

Corrective action planned: See current year findings 11-F11, 11-F12, and 11-F14.

Reference # and title: **10-F4** **Reporting Requirements for the Health Start Program**

Origination Date: This finding originated fiscal year ended September 30, 2009.

Entity-wide or program/department specific:

<u>Federal Grantor or Pass Through Grantor/Program Name</u>	<u>CFDA #</u>	<u>Award Year</u>
United States Department of Health and Human Services	93.926	2010

Condition: 24 CFR Part 74.52 states in sum that Federal Cash Transaction reports should be submitted quarterly and the financial information presented should be on an accrual basis of accounting.

The Agency submitted financial reports to the Department of Health and Human Services, which did not adequately reflect the program's financial statements. The amount reported under cash receipts was a carryover from the prior period reports and the cash disbursements was reported as the amount of federal revenues received during the reporting period.

Corrective action planned: See current year finding 11-F13.

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Reference # and title: **11-F1** **Lack of Board Meetings**

Entity-wide or program/department specific: This finding is entity-wide

Condition: According to Louisiana R.S. 12:229 and North Louisiana Area Health Education Center's (NLAHEC) articles of incorporation, "at least one meeting of the members shall be held in each calendar year for the election of directors."

According to La. R.S. 42:14 through 42:23, any agency receiving state or local funds must follow the "Open Meetings Law." This requires the public to be given at least a twenty-four hour advanced notice of the meeting, allows for some means of public comment, and allows for the recording of the meeting by the audience.

For fiscal year ended September 30, 2011, NLAHEC did not have at least one meeting of the members for the election of directors, which is in violation of Louisiana R.S. 12:229 and NLAHEC's articles of incorporation.

NLAHEC does not have policies and procedures in place to ensure that the "Open Meetings Law" is followed.

During fieldwork, the auditors received minutes from management reflecting a meeting was held by mail ballots; however, after speaking with several Board Members, the ballot meeting could not be confirmed. Additionally, management could not provide a copy of the ballots received for this meeting.

Furthermore, although management provided a memo to the auditors stating that the lack of board meetings were due to the inability to obtain a quorum, the auditor was unable to confirm this information due to several Board Members stating that they had received no information nor were they contacted regarding any meeting dates.

Additionally, the LSUMC AHEC Project Liaison, the Executive Director of NLAHEC, and the Executive Board and/or Board of Directors of NLAHEC did not jointly meet quarterly for the purpose of planning, implementation and evaluation of activities as required by a cooperative endeavor.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
The NLAHEC Board of Directors will meet quarterly in future years to assure compliance with the LA Revised Statutes and the NLAHEC Articles of Incorporation.	05/02/2012	Ongoing
Quarterly Board Meetings will be called and held regardless of the ability to meet a quorum. If a quorum is not present then members will be allowed to vote on action items via the use of proxy or a fax ballot distributed to members who were not in attendance.	05/02/2012	Ongoing
The NLAHEC President will appoint a Bylaws Committee to review and provide recommendations to the Board regarding proposed changes to the Bylaws to identify the most logical and legally prudent means to address this concern.	07/18/2012	10/31/2012
Hard copies of faxed ballots or proxies will be retained with the official record of the minutes for each board or committee meeting and, additionally these	05/02/2012	Ongoing

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documents will be scanned and saved to an external hard drive and maintained in a fireproof safe for backup.		
NLAHEC has received conflicting opinions regarding whether or not the entity is required to meet the Louisiana Open Meetings Laws. The NLAHEC Board President and Executive Director will meet with legal counsel and request an opinion from the Louisiana Attorney General's Office regarding if, as a nonprofit, independent entity, NLAHEC is required to meet the Louisiana Open Meetings Law.	07/17/2012	10/15/2012
While NLAHEC and counsel await a reply from the Attorney General's Office, NLAHEC will comply with the requirements of the Louisiana Open Meetings Law.	07/18/2012	Ongoing
The LSUMC AHEC Project Liaison will be notified and requested to participate in NLAHEC quarterly meetings.	10/01/2012	Ongoing

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: See corrective action plan above.

Reference # and title: **11-F2** **Approval Process for Disbursements**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: According to NLAHEC's policy regarding check signing, "checks over \$2,500 must be signed by at least two individuals, including the CEO/Executive Director, the President or Treasurer of the Board of Directors."

During a review of checks that cleared the month of August 2011, it was noted that two of the four checks that exceeded \$2,500 did not have dual signatures.

During the auditors' review of expenses that were coded to the cooperative endeavor's account codes, a check written to Bossier Parish Community College for \$8,135.28 was requested from management. When management provided the auditor with the invoice, a copy of the check image was attached to the invoice. The check image is a picture of the check after being paid by the bank. In review of the check image, it was noted that check had two signatures, yet the Board President's signature appeared to be manually signed after the check image was printed. The auditor compared the check image received with the invoice to another copy of the check image received in the review of the August 2011 bank statement, it was noted that the check only contained one signature. When the Board President was questioned by the auditor about the signature being on one check image, but not on the other, no explanation could be provided.

It was also noted that NLAHEC utilizes an electronic funds transfer (EFT) system at times to pay expenses rather than writing checks. Some of the EFT payments written exceed the \$2,500 amount that required dual signatures. During

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the auditors' test work, it was noted that some of the EFT payments received the required second approval and some did not. Furthermore, it was noted that the initials of the second approval are the Board President's initials. When the auditor requested invoices for periods subsequent to year end, it was noted that the Board President's initials did not match the initials that were received for earlier tests. During an interview with the Board President, it was confirmed that the initials on the subsequent invoices tested were not the Board President's initials and were falsified.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
All NLAHEC payment request/check requests forms (internal fiscal documents) now indicate whether or not expenditures require second signature and additional approval.	05/01/2012	Ongoing
All expenditures, except payroll and employee expense reimbursements, are paid by check. NLAHEC will no longer use electronic fund transfers as a method of payment.	05/15/2012	Ongoing
NLAHEC will contract with a CPA firm to test agreed upon procedures quarterly and review any non-compliance to policies with the CEO and Accounting Director until we have achieved competency and consistency in all areas of accounting and fiscal documentation.	08/15/2012	Ongoing

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: See corrective action plan above.

Reference # and title: **11-F3** **Noncompliance of Cooperative Endeavor Agreement**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: In accordance with the cooperative endeavor agreement between the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSUMC) and NLAHEC, the LSUMC AHEC Project Liaison, the Executive Director of NLAHEC, and the Executive Board and/or Board of Directors of NLAHEC shall jointly meet no less often than quarterly for the purpose of planning, implementation and evaluation of activities. The cooperative endeavor also reflects that NLAHEC will make expenditures according to the budget, unless the funds are rebudgeted with prior approval of LSUMC AHEC Project Liaison. Furthermore, NLAHEC must submit monthly invoices detailing actual direct and indirect cost for the prior month within 30 days of month-end, submit a report detailing all expenditures and commitments no later than July 15th of each year, submit an inventory of any equipment purchased with funds provided under the cooperative endeavor no later than July 15th of each year and submit activity reports to the LSUMC AHEC Project Liaison.

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The following exceptions were noted during the testing of compliance in accordance with the cooperative endeavor:

- No meetings were jointly held during the fiscal year ended September 30, 2011 between LSUMC AHEC Project Liaison, the Executive Director of NLAHEC, and the Executive Board and/or Board of the Directors of NLAHEC.
- There were expenditures noted during the fiscal year that were not in accordance with the budget and NLAHEC did not obtain prior approval from LSUMC AHEC Project Liaison for rebudgeting. The revenue received for these expenses were moved to deferred revenue in the amount of \$77,650.
- It was noted that monthly invoices, a report detailing all expenditures and commitments, an inventory listing, and activities reports were not submitted to the LSUMC AHEC Project Liaison as stated in the cooperative endeavor during the fiscal year ended September 30, 2011.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
The LSUMC AHEC Project Liaison will be notified and requested to participate in NLAHEC quarterly meetings.	10/01/2012	Ongoing
NLAHEC has requested a meeting with the LSUMC AHEC Project Liaison and LSUMC fiscal staff to discuss and clarify LSUMC's documentation needs.	07/02/2012	08/15/2012
All reports and information required by LSUMC agreements and the above noted conversation/meeting will be provided to LSUMC on-time and in the format requested.	06/01/2012	Ongoing
Year to date budget expenses and remaining balances for the previous month will be reviewed monthly by the 10 th of the month by the NLAHEC Accounting Director and CEO. Based on this information the staff will identify monthly any required re-allocations and make those requests in writing to the LSUMC AHEC Project Liaison in a timely manner and in accordance with their needs and expectations.	06/15/2012	Ongoing
All equipment expenses over \$500 will be inventoried and documented in a permanent database/spreadsheet. All invoices for these purchases will be scanned and maintained as part of the permanent inventory records, also. The spreadsheet will identify the equipment, actual costs, serial number, date of purchase, location, program and other pertinent information regarding the equipment.	10/01/2011	Ongoing
NLAHEC will establish and implement a plan to save a significant portion of its monthly non-restricted revenue (discretionary income) and develop a contingency fund to provide funding in the event that any deferred revenue is requested back from LSUMC.	07/01/2012	Ongoing

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

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Anticipated completion date: See corrective action plan above.

Reference # and title: **11-F4** **Inadequate Internal Controls over Financial Reporting**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Good internal control over financial reporting requires that accounting records contain accurate and complete information which would ensure that financial data can be relied upon to monitor the financial well-being of NLAHEC. These controls include bank reconciliations performed timely to ensure that unexplained differences in the bank and general ledger balances are discovered and resolved within a reasonable timeframe. Bank reconciliations should be reviewed for accuracy and dated to ensure they are completed timely. Any outstanding items should be periodically reviewed to ensure that they are valid transactions. Periodic reviews should be performed over the journal entries made and general ledger accounts to ensure that all transactions relating to the fiscal year are properly recorded and classified in the accounting records. Receipts should be deposited in a timely manner, within three business days, and recorded properly. Additionally, proper segregation of duties or mitigating controls in situations of lack of segregation of duties should be established and proper documentation should be maintained.

The following items were noted during the testing of internal controls over financial reporting and review of the general ledger:

- When testing 29 randomly selected receipts, it was noted that 18 of the receipts were either not deposited in a timely manner, within 3 business days from the time of collections, or timeliness could not be determined due to inadequate documentation. Additionally, 3 of the 29 receipts were not properly recorded.
- When testing 6 bank reconciliations for timeliness and agreement to the general ledger, it was noted that all 6 bank reconciliations were not performed in a timely manner, with lag time ranging from 6 months to 12 months. In fact, all the bank reconciliations tested were not reconciled until calendar year 2012. It was also noted that 3 of the 6 bank reconciliations did not agree to the general ledger.
- When testing income, it was noted that a number of receipts were not recorded properly, which resulted in the auditor proposing material adjustments for proper classification.
- When testing investments, it was noted that NLAHEC had not recorded the redemption of bonds as well as the donation of stock that was made by a private donor to NLAHEC. It was also noted that part of the stock was sold before the fiscal year ended, in which the sale of stock was not recorded. These transactions required material audit adjustments.
- When testing accounts receivable, it was noted that NLAHEC did not record an unconditional promise to give as an accounts receivable. This transaction required a material audit adjustment.
- When reviewing the general ledger transactions, it was noted that NLAHEC deposited two AHEC Affiliates' checks into their account. Additionally, the recording of the deposit error was not posted correctly. It was also noted during the review of the general ledger that NLAHEC had prepaid expenses that were not properly recorded. These transactions resulted in audit adjustments.
- When reviewing payroll benefits, it was noted that NLAHEC had not paid federal unemployment tax during the fiscal year ended September 30, 2011.
- When reviewing controls over payroll direct deposits, it was noted that the Fiscal Coordinator position has full access and authority in processing payroll. One mitigating control is that the Executive Director reviews the general ledger on a regular basis; however, this mitigating control could not be tested due to lack of documentation.

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Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
Deposits are made daily and in accordance with NLAHEC's fiscal policies and procedures. All checks and ACH deposits are reviewed carefully to assure the documents are payable to NLAHEC to avoid errors regarding deposits.	05/01/2012	Ongoing
The NLAHEC Accounting Director and the CEO meet daily to review and code deposits to assure posting accuracy and avoid errors.	06/01/2012	Ongoing
The NLAHEC Board of Directors approved a bank reconciliation policy to assure consistency in reviewing and reconciling the statements. The NLAHEC staff is adhering to all aspects of the stated policy.	05/02/2012	Ongoing
Bank reconciliations are completed and filed monthly by the Accounting Director and the report and documentation is reviewed and signed by the CEO and balanced to the General Ledger.	10/01/2011	Ongoing
Additionally, bank reconciliations are completed daily and the report and documentation are reviewed and signed daily by the Accounting Director and CEO and balanced to the General Ledger.	06/01/2012	Ongoing
All investment transactions and income will be posted and coded as received or as completed. The sale of any bonds, stock or other investments will be approved in advance by the Board of Directors and appropriately recorded in the minutes of the meeting. The CEO and the Accounting Director meet daily to review any transaction associated with investments and assure they are coded accurately and posted daily as required.	06/01/2012	Ongoing
All donations will be posted and coded as received. The CEO and the Accounting Director meet daily to review and discuss any donations and assure they are coded accurately and deposited daily in accordance with NLAHEC policies.	06/01/2012	Ongoing
Any promises to give by donors will be entered into accounts payables upon receipt of the documentation by the donor.	06/01/2012	Ongoing
Any identified posting errors will be corrected as soon as possible. Documentation will be prepared to provide a narrative summary of the error made and provide a permanent record or paper trail attached to the accounting detail.	06/01/2012	Ongoing
NLAHEC has rectified the unpaid federal unemployment taxes from FY2010.	07/05/12	07/12/2012
Federal unemployment taxes will be paid and recorded annually at the end of the year.	01/01/2012	Ongoing
The Accounting Director will post, monitor, balance and check all payroll documentation and record it in the accounting software. The CEO will review all associated documentation and approve all payrolls in advance. After approval of the payroll the Accounting Director will enter the transactions in the banking software utilized for direct deposits. The CEO will release the payroll	04/01/2012	Ongoing

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transactions based on the payroll date via the online banking services.		
The CEO will review the General Ledger at least monthly and typically more often and signs and dates the document after review. This has been an ongoing procedure, but to assure documentation of this the Accounting Director maintains a record of these documents as part of the permanent accounting records.	07/01/2012	Ongoing
NLAHEC will contract with a CPA firm to test agreed upon procedures quarterly and review any non-compliance to policies with the CEO and Accounting Director until we have achieved competency and consistency in all areas of accounting and fiscal documentation.	08/15/2012	Ongoing

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: See corrective action plan above.

Reference # and title:

11-F5

Vendor Disbursements

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, and paid timely. Additionally, all supporting documentation for the expenditures should be obtained, maintained and not altered. Furthermore, travel reimbursements should be in accordance with NLAHEC's policy or grant requirements. Effective internal controls over disbursements ensure that 1099 forms are sent to all vendors that are required to be reported.

While testing vendor disbursements, the following items were noted:

- When testing 27 checks and 23 electronic funds transfer that were randomly selected, it was noted that 5 disbursements were not charged to the correct accounts and 1 disbursement included late charges.
- When testing 9 vendor disbursements from the general ledger, it was noted one vendor did not receive a 1099 as required, one vendor's payment was not reduced due to a substitute having to fill in the vendor's behalf, and one vendor (the substitute) did not have a contract nor provided an invoice for work performed. Additionally, it was noted that two of the checks tested did not have a second signature as required by NLAHEC's policy, yet the checks exceeded the \$2,500 threshold.
- When testing two months of credit card purchases, which included approximately 100 transactions, it was noted that 5 transactions did not have adequate documentation to substantiate the purpose of the payment; 9 transactions were not properly recorded based on the description of the expense; 10 transactions were not properly recorded based on the coding on the request; 4 transactions were for food, yet the description appeared to be altered to reflect expense as supplies; and 1 transaction was not for NLAHEC, but was for another entity.
- When testing for unrecorded liabilities, it was noted that an invoice for leasehold improvements was not

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recorded. This transaction required a material audit adjustment. It was also noted that the two credit card statements reviewed did not have all supporting documentation attached and one item was sent and attached after the auditor requested the statement.

- It was noted during the test of payroll, that one individual being paid during the year moved from a contract status to an employee status; however, the individual did not receive a 1099 form for the payments made under contract.
- When reviewing the vendor listing, it was noted that three individuals selected did not receive a 1099 form, but were required to be reported.
- When testing 23 travel reimbursements, it was noted that 2 reimbursements were not approved until 2 months after payment and one travel reimbursement was not split or reimbursed in accordance with the applicable cooperative endeavor agreement.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
NLAHEC will contract with a CPA firm to test agreed upon procedures quarterly and review any non-compliance to policies with the CEO and Accounting Director until we have achieved competency and consistency in all areas of accounting and fiscal documentation.	08/15/2012	Ongoing
All invoice amounts and due dates will be entered into Accounts Payable upon receipt daily and in accordance with NLAHEC's fiscal policies and procedures. The software provides a system to assist the Accounting Director determine daily which checks should be cut and mailed prior to the due date in an effort to avoid late fees and improve organization.	05/01/2012	Ongoing
The NLAHEC Accounting Director and the CEO meet daily to review and code disbursements to assure posting accuracy and to review receipts and other required documentation.	06/01/2012	Ongoing
The CEO will review the General Ledger at least monthly and typically more often and signs and dates the document after review. This has been an ongoing procedure, but to assure documentation of this the Accounting Director maintains a record of these documents as part of the permanent accounting records.	07/01/2012	Ongoing
The Accounting Director will report, print and distribute 1099s in January annually.	12/31/2012	Ongoing
The Accounting Director and the CEO will meet to review the status and documentation associated with contractors/vendors prior to entering into contracts and employees upon hiring to determine how future associated expenditures should be coded, documented and handled.	06/01/2012	Ongoing
All travel reimbursement will be reviewed in advance and will not be released for payment until after approval by the CEO,	10/01/2012	Ongoing
All liabilities will be recorded into the A/R upon receipt of the documentation.	06/01/2012	Ongoing

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Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: See corrective action plan above.

Reference # and title: **11-F6** **Grant Management**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Proper internal controls over grant management require that all invoices submitted for reimbursement agree to actual expense paid, invoices should be reviewed and approved, and in accordance with the grant or contract agreement. Internal controls over grant management also include ensuring that funds received are being used on the activities related to the program.

When reviewing grant and contract agreements and the related expenses paid for these grants, the following were noted:

- NLAHEC did not have anyone reviewing the general ledger expenses and request for reimbursements to ensure they are being properly recorded and requested. From the review of three programs it was noted that in some cases, invoices and expenses per the general ledger were not included on the request for reimbursements. In other cases, there were invoices and expenses reflected on the request for reimbursement, but not recorded in the general ledger. One invoice was noted to be split over several programs per a request for reimbursement, but yet the invoice was voided by the vendor because the service order was canceled. Therefore, no payment was made, but a reimbursement was received. Based on these differences, an audit adjustment was made to move excess receipts to deferred revenue in the amount of \$65,285.
- It was noted that contracts would have capped amounts for individual line items and rebudgeting was necessary to cover costs of the programs, yet no budget revisions were submitted for approval. As stated in 11-F3, the auditor proposed an adjustment in the amount of \$77,650 for the excess funds received to move to deferred revenue.
- One program allowed for fringe benefits of 15% of salaries paid based on the approved budget and NLAHEC requested for 15% of salaries paid; however, NLAHEC was only paying out approximately 9.65% in fringe benefits of salaries. This resulted in NLAHEC over-requesting approximately \$11,200. The auditor proposed an adjustment to move the excess receipts to deferred revenue.
- For another program, it was noted that NLAHEC was drawing 1/12th of the grant award each month rather than drawing down funds based on expenses. For two months, NLAHEC duplicated the draw down, causing 4 months worth of draw downs to be received in 2 months. Based on the extra draw downs and actual expenses, it was noted that NLAHEC over-requested \$97,690 from the awarding agency.

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- During the test of income, it was also noted that during the fiscal year ended September 30, 2011 NLAHEC had to pay back approximately \$65,733 for three programs, which had excess funds.
- It was also noted that there appears to be a disconnect between the individuals over the programmatic responsibilities and the individuals over the financial responsibilities.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
Expenses are coded and posted daily and in accordance with NLAHEC's fiscal policies and procedures.	06/01/2012	Ongoing
The NLAHEC Accounting Director and the CEO meet daily to review and code expenses to assure posting accuracy and avoid errors.	06/01/2012	Ongoing
NLAHEC will contract with a CPA firm to test agreed upon procedures quarterly and review any non-compliance to policies with the CEO and Accounting Director until we have achieved competency and consistency in all areas of accounting and fiscal documentation.	08/15/2012	Ongoing
NLAHEC will establish and implement a plan to save a significant portion of its monthly non-restricted revenue (discretionary income) and develop a contingency fund to provide funding in the event that any deferred revenue is requested back from funders.	07/01/2012	Ongoing
All HRSA funding requests are now completed and submitted by the CEO. The CEO prepares documentation of these requests based on GL reports of incurred expenses and a copy of the requests as printed from the HRSA PMS System website. This information is signed and dated by the CEO and provided in a timely manner (same day) to the Accounting Director to be posted as a receivable/deposit.	06/01/2012	Ongoing
The CEO and the Accounting Director are reviewing all expenditures to assure the billing is correct and reflective of the contract and actual expenses.	06/01/2012	Ongoing
In an effort to address a "disconnect" between the fiscal and programmatic staff, the Accounting Director has been working closely with the programmatic staff leaders to understand their needs, budgets and other accounting concerns.	06/01/2012	Ongoing
The Accounting Director regularly reviews the budget tables and budget narratives provided with each contract and grant proposal to correctly identify where income and expenses should be posted and assure revenue and expenses are properly coded and recorded	06/01/2012	Ongoing
All current invoices are calculated utilizing the accounting software reports and are reviewed and signed by the CEO prior to submission. Also, all receipts and invoices are scanned and filed upon receipt in addition to maintaining and filing all paper documentation and receipts.	06/01/2012	Ongoing

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Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: See corrective action plan above.

Reference # and title: **11-F7** **Compensated Absences**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: According NLAHEC's employee policies and procedures manual, of the available vacation that is not used by the end of the benefit year, employees may carry up to forty hours of unused time forward to the next benefit year. Employees that follow the appropriate termination procedure will be paid for unused vacation time that is earned through the last day of work. Additionally, internal controls over compensated absences required adequate documentation for leave taken as well as leave accumulated be documented and maintained.

During the testing of compensated absences, it was noted that NLAHEC's policy of capping unused vacation time to 40 hours for carry over is not being adhered to. Additionally, it was noted that the leave documentation for all employees is not located in the same, centralized location. Furthermore, when substantiating the accumulated leave balances, the auditor received conflicting information. Therefore, the ending liability could not be substantiated. It appears that the CEO had been maintaining her own compensated absences records.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
NLAHEC management will assure compliance with the Employee Policies Manual.	06/01/2012	Ongoing
The NLAHEC Accounting Director will review the compensated absences database every payroll and advise employees of their status to assure compliance with policies and that the payroll earnings reports provided to the employees accurately reflects their earned and used sick, vacation and other leave.	06/01/2012	Ongoing
The Accounting Director will monthly review the benefit calendar year anniversary of each employee, inform them of their status and assure that the policy regarding 40 hours carryover is maintained.	06/01/2012	Ongoing
NLAHEC will contract with a CPA firm to test agreed upon procedures quarterly and review any non-compliance to policies with the CEO and Accounting Director until we have achieved competency and consistency in all areas of accounting and fiscal documentation.	08/15/2012	Ongoing

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Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: See corrective action plan above.

Reference # and title: **11-F8** **Capital Assets**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Proper internal controls over capital assets ensure that proper accounting of capital assets is maintained. Expenditures should be correctly classified in the accounting records. Capital assets should be added to the listing based on historical costs. Monitoring should be performed frequently to ensure the capital asset listing is current and complete.

While testing of capital assets, the following was noted:

- When testing capital asset additions, it was noted two capital assets were purchased during the fiscal year ended September 30, 2011, but were not added to the asset listing; one item purchased was added to the listing, but was given away as an award; and two assets purchased during the year did not reflect the proper cost on the listing.
- When performing a capital asset inspection, it was noted that the auditor received conflicting information regarding the location of an ipad. However, NLAHEC was later able to produce the ipad to the auditor for testing.
- It was also noted that some additions were not properly recorded in the general ledger and an audit adjustment was recorded.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
All equipment expenses over \$500 will be inventoried and documented in a permanent database/spreadsheet. All invoices for these purchases will be scanned and maintained as part of the permanent inventory records, also. The spreadsheet will identify the equipment, actual costs, serial number, date of purchase, location, program and other pertinent information regarding the equipment.	10/01/2011	Ongoing
NLAHEC will contract with a CPA firm to test agreed upon procedures quarterly and review any non-compliance to policies with the CEO and Accounting Director until we have achieved competency and consistency in all areas of accounting and fiscal documentation.	08/15/2012	Ongoing
The NLAHEC Accounting Director and the CEO meet daily to review and code all expenditures to assure posting accuracy and efficiency.	06/01/2012	Ongoing

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The CEO reviews the General Ledger at least monthly and typically more often and signs and dates the document after review. This has been an ongoing procedure, but to assure documentation of this the Accounting Director maintains a record of these documents as part of the permanent accounting records.	10/01/2011	Ongoing
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Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644

Fax: 318-746-4677

Anticipated completion date: See corrective action plan above.

Reference # and title:

11-F9

Late Submission of Audit Report to Legislative Auditor

Entity-wide or program/department specific: This finding is entity-wide.

Condition: The audit report should be filed timely to the Louisiana Legislative Auditors within six months after year end, accordance to Louisiana R.S. 24:513A (5) (a) (i).

Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year". NLAHEC's audit for the year ended September 30, 2011 was not completed within six months of the close of the NLAHEC's year end. The auditor requested NLAHEC to request an extension, after revenues were classified, due to a new federal program was required to be tested.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
NLAHEC will meet with potential auditing firms to determine which firms can accommodate their needs to have the audit initiated earlier than four months after the close of the fiscal year.	08/01/2012	08/31/2012

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644

Fax: 318-746-4677

Anticipated completion date: See corrective action plan above.

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Reference # and title: **11-F10** **Endowment Fund**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: The Gladney Endowment is an endowment fund that was transferred to North La. AHEC in 2000 to be used to support a physician with an interest in rural medicine. The recipient must be a graduate of a Louisiana medical school, have participated in rural AHEC training programs and have already matched with a Louisiana Family Practice Residency Program. These funds should be set aside in a separate account as restricted. Additionally, these funds should not be pledged as collateral for any reason unless prior approval has been obtained from the endowment committee.

When performing procedures on NLAHEC's notes payable – line of credit, it was noted on the confirmation received from the bank that the Gladney Endowment account was used as collateral for the notes payable, if the agency would become in default. The auditor was unable to determine if the endowment committee had approved these funds to be pledged.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
NLAHEC will establish and implement a plan to save a significant portion of its monthly non-restricted revenue (discretionary income) and develop a contingency fund to provide funding in the event that cash flow issues should arise the contingency could be utilized in place of the line of credit there eliminating the need for the line and releasing the restricted funds as collateral.	07/01/2012	Ongoing
Any changes to the endowment or Endowment funds will be addressed with the Endowment Committee and the discussion and action will be recorded prior to review and consideration by the Board of Directors.	07/01/2012	Ongoing

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: See corrective action plan above.

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Reference # and title: **11-F11** **Cash Management**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Immunization Grant	United States Department of Health and Human Services/ Passed through Louisiana Department of Health and Hospitals, Office of Public Health	93.268	2010, 2011
Healthy Start	United States Department of Health and Human Services	93.926	2011, 2012

Condition: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the awarding agency and disbursement.

When reviewing cash management, the following was noted:

- For the Immunization Grants/Vaccine for Children, the budget allowed for fringe benefits of 15% of salaries paid and NLAHEC requested for 15% of salaries paid; however, NLAHEC was only paying out approximately 9.65% in fringe benefits of salaries. This resulted in NLAHEC over-requesting approximately \$11,200. The auditor proposed an audit adjustment to move the excess receipts to deferred revenue.
- For the Healthy Start grant, it was noted that NLAHEC was drawing 1/12th of the grant award each month rather than drawing down funds based on expenses. However, for two months, NLAHEC duplicated the draw down, causing 4 months worth of draw downs to be received in 2 months. Based on the extra draw downs and actual expenses, it was noted that NLAHEC over-requested \$97,690 from the awarding agency. The auditor proposed an audit adjustment to move the excess receipts to deferred revenue.
- It was also noted that there appears to be a disconnect between the individuals over the programmatic responsibilities and the individuals over the financial responsibilities.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
All current invoicing and HRSA funding requests are calculated utilizing the accounting software reports and are based on expenses incurred since the last payment request rather than 1/12 th of the total grant award.	06/01/2012	Ongoing
All invoices and HRSA funding requests will be entered into Accounts Payable.	06/01/2012	Ongoing
Any reports or HRSA funding requests are completed and submitted by the CEO. The CEO prepares documentation of these requests based on GL reports of incurred expenses and a copy of the requests as printed from the HRSA PMS System website. This information is signed and dated by the CEO and provided in a timely manner (same day) to the Accounting Director to be posted as a receivable/deposit.	06/01/2012	Ongoing
In an effort to bridge the "disconnect" between the fiscal and programmatic staff, the Accounting Director will work closely with the programmatic staff leaders to	06/01/2012	Ongoing

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understand their needs, budgets and other accounting concerns. She will review the budget tables and narratives provided with each contract and grant proposal to assure that staff can correctly identify where income and expenses should be posted and assure the accounting codes reflect these documents and needs.		
NLAHEC will contract with a CPA firm to test agreed upon procedures quarterly and review any non-compliance to policies with the CEO and Accounting Director until we have achieved competency and consistency in all areas of accounting and fiscal documentation.	08/15/2012	Ongoing
The CEO and the Accounting Director are reviewing all expenditures daily to assure the billing is correct and reflective of the contract or grant budget and actual incurred expenses.	06/01/2012	Ongoing
All receipts and invoices are scanned and filed upon receipt in addition to maintaining and filing all paper documentation and receipts.	06/01/2012	Ongoing

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: See corrective action plan above.

Reference # and title: **11-F12** **Allowable Costs**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Healthy Start	United States Department of Health and Human Services	93.926	2011, 2012

Condition: Each federal program should be expensed in accordance with the approved budget and OMB Circular A-122. For any budget revisions or rebudgeting needs, the grantee should seek prior approval from the awarding agency. The payroll charged to a federal program should be supported by personnel activity reports or semi-annual time certifications.

In testing expenses, the following items were noted:

- Four payroll disbursements tested were not supported by personnel activity reports or semi-annual time certifications.
- Three payroll disbursements tested were not in accordance with the approved budget and a budget amendment was not approved by the awarding agency.
- It was also noted that time certifications were only completed annually and not semi-annually for those employees being paid 100% with program funds.
- When testing of fringe benefits, it was noted that benefits charged to the program exceeded the budgeted amount allowed.

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Because of the differences in salaries and benefits noted above in comparison to the approved budget, it was noted that expenses regarding these items exceeded the budget by \$18,846.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
All FTE Healthy Start hourly employees turn in a timesheet bi-weekly that reflects their time and activities.	10/01/2011	Ongoing
Other exempt employees are expected to produce a signed statement semi-annually identifying the approximate/average time spent weekly on Healthy Start activities. These documents are requested in May and November annually (the Healthy Start grant term is from June 1 to May 31 annually). Supporting activity reports will also be requested.	10/01/2011	Ongoing
Year to date budget expenses and remaining balances for the previous month will be reviewed monthly by the 10 th of the month by the NLAHEC Accounting Director and CEO. Based on this information the staff will identify monthly any required re-allocations and make those requests in writing to the grantor in a timely manner and in accordance with their needs and expectations.	06/15/2012	Ongoing
The CEO and the Accounting Director are reviewing all expenditures daily to assure the billing is correct and reflective of the contract or grant budget and actual incurred expenses.	06/01/2012	Ongoing
NLAHEC will contract with a CPA firm to test agreed upon procedures quarterly and review any non-compliance to policies with the CEO and Accounting Director until we have achieved competency and consistency in all areas of accounting and fiscal documentation.	08/15/2012	Ongoing
The CEO reviews the General Ledger at least monthly and typically more often and signs and dates the document after review. This has been an ongoing procedure, but to assure documentation of this the Accounting Director maintains a record of these documents as part of the permanent accounting records.	10/01/2011	Ongoing

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North Louisiana Area Health Education Center Foundation
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Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: See corrective action plan above.

**North Louisiana Area Health
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Reference # and title: **11-F13** **Reporting**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Healthy Start	United States Department of Health and Human Services	93.926	2011, 2012

Condition: Federal financial report, SF-425, is required to be submitted quarterly and annually. The reports include information regarding cash receipts, cash disbursements and cash on hand. It also includes federal expenditures and unobligated balances remaining on the federal funds authorized. The SF-425 for the quarterly information should be submitted within 30 days after the period end whereas the annual report is required to be submitted within 90 days after period end.

Additionally, a non-competing performance report is required to be submitted, which includes the number of individuals served with program funds.

In testing financial and performance reports, the following exceptions were noted:

- Three of the four quarterly SF-425 reports were not submitted within the 30 day requirement.
- The cash disbursements on the quarterly SF-425 reports were reported incorrectly. The agency reported the amount received rather than actual disbursements paid.
- The annual SF-425 report was not submitted within the 90 day requirement as well as the total funds expended reported were not actual expenses but amounts of federal funds received.
- When reviewing the performance report, it was noted that the agency did not report the number of women served over 25 years of age accurately.

Corrective action planned:

Corrective Action	Date Initiated or Implemented	Date Completed
All reports, including the SF-425, will be prepared by the Accounting Director and the CEO in accordance with reports from the GL.	05/25/2012	Ongoing
All reports will be signed, dated and submitted by the CEO and provided in a timely manner (same day) to the Accounting Director and the Healthy Start Project Director for their records. The reports are now maintained in both PDF and hard copy format.	05/25/2012	Ongoing
Until May 2012 the CEO was not granted authority to see, review or complete these reports. HRSA had designated the Accounting Director as the sole contact of NLAHEC for fiscal reporting, etc.	04/28/2012	05/25/2012
All reports will be submitted on-time and accurately reflect the General Ledger expenses and revenue.	05/25/2012	Ongoing
All reports will be reviewed by the CEO, the Accounting Director and the Project Director before release to HRSA to assure accuracy in reporting. Reports will only be released by the CEO.	05/25/2012	Ongoing

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Bossier City, Louisiana 71111

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Anticipated completion date: See corrective action plan above.

Reference # and title: **11-F14** **Vendor Disbursements**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Immunization Grant	United States Department of Health and Human Services/ Passed through Louisiana Department of Health and Hospitals, Office of Public Health	93.268	2010, 2011
Healthy Start	United States Department of Health and Human Services	93.926	2011, 2012

Condition: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, and paid timely. Additionally, all supporting documentation for the expenditures should be obtained in accordance with the policy or grant requirements. Effective internal controls over disbursements ensure that 1099 forms are sent to all vendors that are required to be reported.

**SEE FINDING 11-F5 FOR CORRECTIVE ACTION PLAN,
PERSON RESPONSIBLE AND ANTICIPATION COMPLETION DATE.**

**North Louisiana Area Health
Education Center Foundation
Status of Prior Management Letter Item
September 30, 2011**

10-M1

Internal Controls Over Capital Assets

Comment: While performing tests of capital asset additions, it was noted that 4 of the 5 capital assets selected were added to the capital asset listing with the incorrect historical cost. Management should implement procedures to ensure that additions of capital assets are based on actual invoice costs.

Management's action planned: See current year finding 11-F8.